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**BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE
OF THE STATE OF IDAHO**

In re Mortgage Loan Originator
License Application of:

STEVEN CARL GRONLUND,
NMLS ID No. 246260,

Applicant.

Docket No. 2020-16-50

**ORDER DENYING MORTGAGE LOAN
ORIGINATOR LICENSE APPLICATION AND
NOTICE OF THE OPPORTUNITY TO REQUEST A
HEARING**

The Director of the State of Idaho, Department of Finance (Director), pursuant to the Idaho Residential Mortgage Practices Act, Idaho Code § 26-31-101 et seq. (the Act), and in particular §§ 26-31-306(1)(d) and (h) and 26-31-313(1)(a) and (b) of the Act, hereby issues the following Findings of Fact, Conclusions of Law, and Order Denying Mortgage Loan Originator License Application, and Notice of the Opportunity for a Hearing (Order).

FINDINGS OF FACT

1. Steven Carl Gronlund (the Applicant), a resident of the state of Idaho, holds NMLS number 246260 and applied for an Idaho Mortgage Loan Originator license by filing a Form MU4

through the online Nationwide Mortgage Licensing System and Registry (NMLSR) on July 16, 2020.

2. The application Form MU4, seeks information about an applicant's qualifications to be licensed as a mortgage loan originator. Section 6 of the application form is entitled "Disclosure Questions" and it consists of a series of questions that inquire into an applicant's history regarding financial, criminal, civil, judicial and regulatory matters. Pertinent to the Applicant's qualifications are the following questions:

(A)(1) "Have you filed a personal bankruptcy petition or been the subject of an involuntary bankruptcy petition within the past 10 years?"

(D): "Do you have any unsatisfied judgments or liens against you?"

3. The Applicant responded with a "yes" to these two questions and provided additional information to these affirmative answers in the Disclosure Explanations section of the application.

4. Regarding question (A)(1), the Applicant provided the following information, which indicated that his bankruptcy discharge had been denied:

. . . . Because of the SBA loans, and the failure of the Eagle Inn business in Wisconsin, I felt forced into bankruptcy for my family's sake. I was advised to do a chapter 7 but later realized that that was a mistake, it should have been only a company bankruptcy. I was given bad advice and representation. My bankruptcy was complicated and botched by a low rate attorney. I had never been in bankruptcy before and the stress was very hard. Even though my wife and I filed jointly, the trustee discharged my wife's bankruptcy but denied mine. It took six years for my bankruptcy to finally be denied in 2018. I was still protected by the fact that I am the only income earner in my family and all the debt was discharged under my wife's bankruptcy however I'm still arguing that point with the SBA.

5. For this response, the Applicant uploaded into the NMLS copies of: i.) a Discharge of Debtor (issued October 3, 2014), which shows that the Applicant's wife was granted a

discharge, but the Applicant, and ii.) a Notice of Order Denying Discharge (issued September 25, 2018), which includes the following : “Notice is hereby given that an order was entered DENYING the DISCHARGE of the above-named debtor(s). Judgment Entered Denying Discharge 10/31/13 as to Debtor Steven Carl Gronlund only[.]”

6. Regarding the affirmative response to question (D), the Applicant referenced a judgment that he stated did not belong to him. In his explanation, the Applicant claims this judgment, Riverside Superior Court case number TES1201943, is a “wrongful judgment” and belongs to a person other than him. He also asserted that he has no affiliation with either of the parties named in the judgment. The Applicant uploaded a copy of this judgment to the NMLS system and a Department examiner confirmed that the judgment for this case number does not name the Applicant as a party to that action.

7. Consistent with normal practice, a Department examiner conducted an assessment of the Applicant using various sources of public information to determine if the Applicant demonstrates sufficient financial responsibility, character, and general fitness in order to be licensed as a mortgage loan originator.¹

8. The examiner obtained a public record background information report through LexisNexis, from which she verified the existence of the items the Applicant disclosed. However, the examiner discovered, upon further investigation, that the Applicant’s explanation of the event was incomplete and misleading.

¹ Conducted pursuant to Part 3 of the Act titled “The Idaho Secure and Fair Enforcement for Mortgage Licensing Act” (Idaho S.A.F.E. Mortgage Licensing Act), Idaho Code § 26-31-306.

9. Regarding the Applicant's bankruptcy action, the examiner obtained other documents from the Public Access to Court Electronic Records system (PACER) that were filed in the case (case no. 6:12-bk-14417; United States Bankruptcy Court, Central District of California, Riverside Division). These documents include, among other things, a Chapter 7 Trustee's Complaint Re: Objection to Debtors' Discharge under Section 727 of the Bankruptcy Code (filed May 17, 2012); Judgment after Trial in Favor of Plaintiff Karl T. Anderson, Chapter 7 Trustee (entered October 31, 2013); and a United States Court of Appeals, Ninth Circuit, Memorandum decision (No. 14-60053, Bankruptcy Appellate Panel No. 13-1566, filed July 22, 2016).

10. From a review of these documents, the examiner discovered that the bankruptcy court denied the Applicant's discharge because it found that the Applicant had intentionally failed to inform the Chapter 7 Trustee of a beneficial interest he was receiving from a \$450,000 promissory note, which was collateralized by residential property in Mexico.

11. The bankruptcy court's decision to deny the discharge was later upheld by the Ninth Circuit, Court of Appeals. In the appellate decision² on page 2, the Court held:

Under 11 U.S.C. § 727(a)(2), discharge can be denied when "the debtor, with intent to hinder, delay, or defraud a creditor or an officer of the estate charged with custody of property under this title, has...concealed, or has permitted to be...concealed" either "property of the debtor, within one year before the date of filing of the petition," § 727 (a)(2)(A), or "property of the estate after the date of the filing of the petition," § 727(a)(2)(B). The bankruptcy court did not clearly err in finding that Gronlund [the Applicant] concealed his interest in an asset related to Mexican property both before and after filing his petition for bankruptcy and that he possessed fraudulent intent in doing so.

The Court went on further to state and hold at pages 3 and 4:

Gronlund's conduct after disclosing the asset further supports a finding of fraudulent intent. Gronlund answered the Trustee's questions about the asset

² Unpublished opinion.

during the 341(a) meeting in an inconsistent and evasive matter. And even after amending the schedules to include the asset, Gronlund stated that the asset was overencumbered on account of liens that the bankruptcy court determined did not actually exist.

The bankruptcy court also did not clearly err in finding that Gronlund “knowingly and fraudulently, in or in connection with the case[,] made a false oath or account” in violation of 11 U.S.C. § 727 (a)(4)(A). The omission of the Mexican property in the schedules and statement of financial affairs constituted a false oath....The bankruptcy court was justified in finding that the omission of the asset was knowing and fraudulent for the same reasons that it found the existence of fraudulent intent under § 727(a)(2).

(Internal citations omitted).

12. Regarding the first judgment, after the examiner confirmed that the judgment referenced by the Applicant in his disclosure explanation did not belong to him, she investigated further and found that the Applicant actually does have an open judgment against him in Riverside Superior Court, but the case number is one number off from the case number that the Applicant provided. The examiner discovered that the open judgment against the Applicant is case number TES1201944 instead of case number TES1201943, which is the case number the Applicant referenced in his explanation.

13. Following this, the examiner obtained a printout of the Case Report for Riverside Superior Court, California, for the correct case number, TES1201944, *Mountainview vs. Gronlund*. According to the Case Report, a Notice of Entry of Small Claims Judgment was entered against the Applicant on October 15, 2012. The amount of the judgment has not been verified, but according to the LexisNexis report, the judgment amount is \$5,000. The Department has no evidence indicating that this judgment has been satisfied and/or released.

14. The Applicant’s responses to the Form MU4 application disclosure questions (A)(1) and (D), and the extent of Applicant’s conduct leading to the denial of his bankruptcy discharge

demonstrate that the Applicant does not have the character and fitness sufficient to warrant belief that he will operate honestly and fairly within the purposes of the Act. These bases justify the denial of his Idaho mortgage lender license application.

FINDINGS AND CONCLUSIONS OF LAW

15. The allegations set forth in paragraphs 1 through 14 above are fully incorporated herein by this reference.

16. Idaho Code § 26-31-305(1) provides that an applicant for a mortgage loan originator license must apply through the Nationwide Mortgage Licensing System and Registry (NMLSR), in a form required by the Director.

17. Pursuant to Idaho Code § 26-31-306(1)(h), before an application for license can be approved, an applicant must provide all information on the application as required per Idaho Code § 26-31-305. Idaho Code § 26-31-305(10) further provides that an applicant shall make complete disclosure of all information as set forth in the application.

18. Idaho Code § 26-31-306(1)(d) provides that the Director shall not issue a mortgage loan originator license under the Act unless the Director makes a finding that an applicant has demonstrated financial responsibility, character and general fitness sufficient to command the confidence of the community and to warrant a determination that the mortgage loan originator will operate honestly, fairly, and efficiently within the purposes of the Act.

19. Pursuant to Idaho Code § 26-31-313(1)(b), the Director may deny a license if an applicant withholds information or makes a material misstatement in an application for a license or fails to meet the requirements of Idaho Code § 26-31-306.

20. The Applicant made a material misstatement of fact in his application, which is grounds to deny his application for licensure. He failed to disclose that he has a judgment against him. Additionally, the Applicant made a material misstatement of fact when he only disclosed that he was denied a bankruptcy, but failed to disclose that it was because of fraudulent conduct on his part. The failure to disclose the judgment and the complete history behind the bankruptcy discharge denial, prohibits the Director from issuing a license to the Applicant pursuant to Idaho Code § 26-31-306(1)(d) and (h).

21. The Director finds it appropriate to deny the application because the Applicant's failure to provide complete information on the Form MU4 regarding the judgment and the denial of his bankruptcy discharge demonstrates that the Applicant lacks the appropriate character and fitness sufficient to command the confidence of the community and to warrant a determination that the mortgage loan originator will operate honestly, fairly, and efficiently within the purposes of the Act. Because the Director cannot make the requisite findings under Idaho Code § 26-31-306(1)(d), it is appropriate to deny the Applicant's request for an Idaho mortgage loan originator license, pursuant to Idaho Code § 26-31-313(1).

22. Further, the pattern of conduct that the Applicant has shown by fraudulently intending to conceal assets from the bankruptcy Chapter 7 Trustee in his bankruptcy case leading to an order denying discharge does not demonstrate the character and general fitness sufficient to command the confidence of the community and to warrant a determination that the Applicant will operate honestly, fairly, and efficiently with Idaho consumers. This pattern of conduct by the Applicant establishes a separate basis for the Director to deny the Applicant's request for an Idaho mortgage loan originator license pursuant to Idaho Code § 26-31-306(1)(d).

ORDER

NOW, THEREFORE, BASED ON THE FOREGOING FINDINGS OF FACT AND CONCLUSIONS OF LAW, AND PURSUANT TO IDAHO CODE §§ 26-31-313(1)(a) and (b), IT IS HEREBY ORDERED THAT THE APPLICATION FOR A MORTGAGE LOAN ORIGINATOR LICENSE SUBMITTED TO THE DEPARTMENT ON JULY 16, 2020, BY STEVEN CARL GRONLUND, NMLS #246260 IS HEREBY DENIED.

NOTICE

20. The Applicant is HEREBY NOTIFIED that the foregoing ORDER DENYING MORTGAGE LOAN ORIGINATOR LICENSE APPLICATION is a final order of the Director, subject to the Applicant's right to timely file a request for a hearing on the question of his qualifications for a mortgage loan originator license under the Act, pursuant to Idaho Code § 26-31-305(6)(a). Such request for a hearing must be in writing and submitted to the Department within fifteen (15) days after the service of this Order. A copy of the request for hearing shall be served on the following:

Erin Van Engelen
Consumer Finance Bureau Chief
Idaho Department of Finance
P.O. Box 83720
Boise, Idaho 83720-0031

A copy of the request for hearing shall also be served on the Department's counsel in this matter:

Thomas A. Donovan
Deputy Attorney General
Idaho Department of Finance
P.O. Box 83720
Boise, Idaho 83720-0031

Alternatively, the Applicant may email the request for hearing to: CFLegal@finance.idaho.gov.

21. If the Applicant timely files a request for hearing, the Department will notify the Applicant of the date, time and place of the hearing, as well as the name and contact information of the presiding officer.

22. Any hearing and subsequent proceedings in this matter will be conducted in accordance with the Idaho Administrative Procedure Act, Idaho Code § 67-5201 *et seq.* and the Idaho Rules of Administrative Procedure of the Attorney General (IRAP), IDAPA 04.11.01.000 *et seq.*

23. Pursuant to Idaho Code § 26-31-305(6), if a hearing is held, the Applicant shall reimburse, pro rata, the Director for his reasonable and necessary expenses incurred as a result of the hearing.

IT IS SO ORDERED.

DATED this 17th day of September, 2020.



STATE OF IDAHO
DEPARTMENT OF FINANCE

PATRICIA R. PERKINS, Director

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 21st day of September, 2020, I caused a true and correct copy of the foregoing ORDER DENYING MORTGAGE LOAN ORIGINATOR LICENSE APPLICATION AND NOTICE OF THE OPPORTUNITY FOR A HEARING to be served on the following by the designated means:

Steven Carl Gronlund
1484 E. Westdale Dr
Hayden, ID 83853

- ☒ U.S. mail, postage prepaid
☒ certified mail
☐ facsimile _____
☒ email: steve@gronlundteam.com

